MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA

(A Saudi Joint Stock Company)

Financial Statements for the period from March 12, 2008 (Date of Commercial Registration) to December 31, 2008 with Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

February 22, 2009

To the shareholders of Mobile Telecommunications Company Saudi Arabia:
(A Saudi Joint Stock Company)

We have audited the accompanying balance sheet of Mobile Telecommunications Company Saudi Arabia (the "Company") (a Saudi Joint Stock Company) as of December 31, 2008 and the related statements of operations, shareholders' equity and cash flows for the period from March 12, 2008 (date of commercial registration) to December 31, 2008, and the notes which form an integral part of these financial statements. These financial statements, which were prepared in accordance with articles of Regulations for Companies and presented to us with all necessary information and explanations which we required, are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, these financial statements as a whole:

- Present fairly, in all material respects, the financial position of the Company as of December 31, 2008 and the results of its operations and its cash flows for the period from March 12, 2008 (date of commercial registration) to December 31, 2008 in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to circumstances of the Company; and

- Comply with the requirements of Regulations for the Companies and the Company's Articles of Association as they relate to the preparation of these financial statements.

Without qualifying our opinion, we draw attention to Note 14 of the financial statements related to the Company's Syndicated Murabaha financing facility, which is scheduled to be repaid on July 29, 2009. The repayment of the facility is subject to refinancing. The Company has appointed financial advisors to secure such refinancing.

PricewaterhouseCoopers Al Juraid

By: ____________________
Rashid S. Al Rashoud
License Number 366

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A Saudi Joint Stock Company)

BALANCE SHEET
AS AT DECEMBER 31, 2008

ASSETS	NOTES	SR'000
Current assets		
Cash and cash equivalents	3	583,450
Trade receivables - net	4	317,669
Prepaid expenses and other - net	5	220,632
Inventories	6	59,832
Total current assets		**1,181,583**
Non-current assets		
Property and equipment - net	7	2,408,987
Intangible assets - net	8	23,074,860
Total non-current assets		**25,483,847**
TOTAL ASSETS		**26,665,430**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade and other payables	9	413,799
Accrued expenses and other	10	564,050
Deferred revenue		251,623
Due to related parties	11	534,189
Notes payable	12	1,847,544
Advances from shareholders - current portion	13	314,890
Syndicated Murabaha financing from banks	14	9,164,001
Total current liabilities		**13,090,096**
Non-current liabilities		
Advances from shareholders - non-current portion	13	1,849,110
Employees' end-of-service benefits		4,396
Total non-current liabilities		**1,853,506**
Total liabilities		**14,943,602**
Shareholders' equity		
Paid-up share capital	15	14,000,000
Accumulated losses		(2,278,172)
Total shareholders' equity		**11,721,828**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**26,665,430**

The accompanying notes form an integral part of these financial statements.

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A Saudi Joint Stock Company)

STATEMENT OF OPERATIONS
FOR THE PERIOD FROM MARCH 12, 2008 (DATE OF COMMERCIAL REGISTRATION) TO DECEMBER 31, 2008

	NOTES	SR'000
Revenue	16	505,196
Cost of revenue	17	(488,737)
Gross profit		**16,459**
Distribution, marketing and operating expenses	18	(1,021,382)
General and administrative expenses	19	(260,082)
Depreciation and amortization	7,8	(434,714)
Operating loss		**(1,699,719)**
OTHER INCOME (EXPENSE):		
Commission income		65,339
Financing charges		(225,532)
Loss for the period		**(1,859,912)**
Pre-operating expenses - net	20	**(418,260)**
Net loss for the period		**(2,278,172)**
Loss per share:		
From operating loss	21	(1.21)
From net loss for the period	21	(1.63)

The accompanying notes form an integral part of these financial statements.

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM MARCH 12, 2008 (DATE OF COMMERCIAL REGISTRATION) TO DECEMBER 31, 2008

	SR'000		
	Share capital	Accumulated losses	Total shareholders equity
Balance, March 12, 2008	SR 14,000,000	SR -	SR 14,000,000
Net loss for the period	-	(2,278,172)	(2,278,172)
Balance, December 31, 2008	SR 14,000,000	SR (2,278,172)	SR 11,721,828

The accompanying notes form an integral part of these financial statements.

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM MARCH 12, 2008 (DATE OF COMMERCIAL REGISTRATION) TO DECEMBER 31, 2008

	SR'000
OPERATING ACTIVITIES:	
Net loss for the period	(2,278,172)
Adjustments to reconcile net loss to net cash used in operating activities:	
Amortization of intangible assets	346,510
Depreciation	88,281
Provision for doubtful trade receivables	14,557
Provision for doubtful advance	8,000
Commission income	(65,339)
Financing charges	225,532
Changes in operating assets and liabilities:	
Trade receivables	(332,226)
Prepaid expenses and other current assets	(228,632)
Inventories	(59,832)
Trade and other payables	413,799
Accrued expenses and other current liabilities	564,050
Deferred revenue	251,623
Employees' end-of-service benefits	4,396
Net cash used in operating activities	(1,047,453)
INVESTING ACTIVITIES:	
Purchase of property and equipment	(2,497,791)
Intangible assets	(23,421,370)
Proceeds from sale of property and equipment	523
Commission income received	65,339
Net cash used in investing activities	(25,853,299)
FINANCING ACTIVITIES:	
Due to related parties	534,189
Notes payable	1,847,544
Advances from shareholders	2,164,000
Syndicated Murabaha financing from banks	9,164,001
Share capital contribution	14,000,000
Financing charges paid	(225,532)
Net cash provided by financing activities	27,484,202
Increase in cash and cash equivalents during the period	583,450
Cash and cash equivalents, beginning of the period	-
Cash and cash equivalents, end of the period (Note 3)	583,450

The accompanying notes form an integral part of these financial statements.

1. INCORPORATION AND ACTIVITIES

Mobile Telecommunications Company Saudi Arabia (the "Company" or "Zain - KSA"), is a Saudi joint stock company established pursuant to the Ministerial Resolutions No. 176 dated 25 Jumada I, 1428H (corresponding to June 11, 2007) and No. 357 dated 28 Dhu Al-Hijjah, 1428H (corresponding to January 7, 2008) and Royal Decree No. 48/M dated 26 Jumada I, 1428H (corresponding to June 12, 2007) and Commercial Registration No. 1010246192 issued in Riyadh, Saudi Arabia on 4 Rabi Awal 1429H (corresponding to March 12, 2008) to operate as the 3rd GSM public mobile cellular and 3G public mobile cellular licensee in the Kingdom of Saudi Arabia for 25 Hijrah years. The head office of the Company is situated in Riyadh, Kingdom of Saudi Arabia.

The Company provides mobile telecommunication services in the Kingdom of Saudi Arabia in which it operates; purchases, delivers, installs, manages and maintains mobile telephone services.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Financial year - The Company's financial year begins on January 1 and ends on December 31 of each Gregorian year. However, the Company's first financial period starts from the date of the Commercial Registration, which is March 12, 2008, and ends on December 31, 2008.

Basis of preparation - The Company's financial statements are prepared in compliance with the accounting standards promulgated by the Saudi Organization for Certified Public Accountants ("SOCPA").

Use of estimates in the preparation of financial information - The preparation of the financial statements in conformity with accounting standards promulgated by the SOCPA requires the use of estimates and assumptions. Such estimates and assumptions may affect the reported balances of certain assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date.

Any estimates or assumptions affecting assets and liabilities may also affect the reported revenues and expenses for the same reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Pre-operating costs - Pre-operating costs are charged to the statement of operations, as pre-operating expenses unless future economic benefits can be determined in which case the relevant costs are capitalized and amortized on a straight-line basis over a period not to exceed seven years or their expected economic lives, whichever is shorter.

Cash and cash equivalents - Cash and cash equivalents includes cash on hand and deposits held on call with banks with original maturities of three months or less.

Trade receivables - Trade receivables and other current assets are shown at their net realizable values, which represent billings and unbilled usage revenues net of allowances for doubtful accounts.

Allowance for doubtful accounts - The Company reviews its accounts receivable and other current assets for the purpose of creating the required allowances against doubtful accounts. When creating the allowance, consideration is given to the type of service rendered, customer category, age of the receivable and the general economic situation.

Offsetting - The Company reports its assets and liabilities and income and expenses separately and does not offset the same except where such offsetting is required to reflect the true substance of the transaction or event.

Inventories - Inventories are stated at the lower of weighted average cost or the net realizable value.

Property and equipment - Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Property and equipment are depreciated on a straight-line basis over their estimated economic useful lives, which are as follows:

Leasehold improvements (lease term or useful life which ever is shorter)	5 Years
Furniture and fixtures	5 Years
Office equipment	2 Years
Vehicles and other transportation equipment	5 Years
Telecommunications equipment	8 Years
Civil works (telecommunications)	15 Years
Information technology systems	2 Years
Information technology servers	5 Years

Intangible assets - License fee is measured at cost less any accumulated amortization. The amortization period is 25 Hijrah years and is primarily determined by reference to the unexpired license period, the conditions for license renewal and whether the license is dependent on specific technologies. Amortization is charged to the statement of operations on a straight-line basis over the estimated useful lives from the commencement of service of the network.

Computer software licenses are capitalized on the basis of the costs incurred to acquire and bring the specific software into use. These costs are amortized over their estimated useful lives, being 2 to 5 years. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company and that are expected to generate economic benefits exceeding costs beyond one year, are recognized as intangible assets.

Costs associated with maintaining software are recognized as an expense when they are incurred.

Impairment - The Company assesses its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell as compared to its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment loss is recorded in the statement of operations currently.

Assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. When it becomes evident that the circumstances which resulted in the impairment no longer exist, the impairment amount will be reversed (in exception of goodwill) and recorded as income in the statement of operations of the period in which such reversal is determined.

Employees' end-of-service benefits - Employees' end-of-service benefits are payable as a lump sum to all employees employed under the terms and conditions of Saudi Labor and Workman Law on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia.

Operating leases - Leases of property and equipment under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of operations on a straight-line basis over the period of the lease.

Capital leases - Leases of property and equipment where the Company assumes substantially all the benefits and risks of ownership are classified as capital leases. Assets held under capital leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a capital lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the statement of operations.

Revenue - The Company's revenue comprises revenue from mobile telecommunications. Revenue from mobile telecommunications comprises amounts charged to customers in respect of airtime usage, text messaging, the provision of other mobile telecommunications services, including data services and information provision, fees for connecting users of other fixed line and mobile networks to the Company's network.

Airtime used by customers is invoiced and recorded as part of a periodic billing cycle and recognized as revenue over the related access period. Unbilled revenue resulting from services already provided from the billing cycle date to the end of each accounting period is accrued and unearned revenue from services provided in periods after each accounting period is deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

Revenue from data services and information provision is recognized when the Company has performed the related service and, depending on the nature of the service, is recognized either at the gross amount billed to the customer or the amount receivable by the Company as commission for facilitating the service.

Incentives are provided to customers in various forms as part of a promotional offering. Where such incentives are provided in the context of an arrangement that comprises other deliverables, revenue representing the fair value of the incentive, relative to other deliverables provided to the customer as part of the same arrangement, is deferred and recognized in line with the Company's performance of its obligations relating to the incentive. In arrangements including more than one deliverable, the arrangement consideration is allocated to each deliverable based on the fair value of the individual element. The Company generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a standalone basis.

General and administrative expenses - General and administrative expenses are treated as period costs.

Distribution, marketing and operating expenses - Distribution, marketing and operating expenses are treated as period costs.

Borrowing costs - Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, if any, are capitalized as part of the cost of the asset.

Foreign currencies - The Company's functional currency is Saudi riyal ("SR"). Foreign currency transactions are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to SR at the rates of exchange prevailing on that date. Resultant gains and losses are taken to the statement of operations.

Zakat - The Company calculates and reports the Zakat provision in its financial statements in accordance with Zakat rules and principles, and the instructions of the Department of Zakat and Income Taxes in the Kingdom. Adjustments arising from final Zakat assessments are recorded in the period in which such assessments are approved.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2008 are consisted of the following:

	SR'000
Cash on hand	353
Cash at bank	583,097
Total	583,450

4. TRADE RECEIVABLES - NET

Trade receivable as at December 31, 2008 consisted of the following:

	SR'000
Customers	51,086
Distributors	84,956
Roaming	32,808
Other operators (interconnect)	50,286
Unbilled revenue	112,814
Staff receivables	276
	332,226
Less: Provision for doubtful accounts	(14,557)
Net	317,669

The movement in the provision for doubtful accounts for the period ended December 31, 2008 is as follows:

	SR'000
Beginning balance	-
Additions during the period:	
Other operators (interconnect)	6,439
Customers	8,118
Ending balance	14,557

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS - NET

Prepaid expenses and other current assets as at December 31, 2008 consisted of the following:

	SR'000
Advances to suppliers and refundable deposits	62,074
Prepaid rent	56,589
Prepaid insurance	1,560
Advances for transmission lines and fiber links	75,732
Prepaid software license fee	1,739
Prepaid - other	30,938
	228,632
Less: Provision for doubtful advance	(8,000)
Net	220,632

The movement in the provision for doubtful advance for the period ended December 31, 2008 is as follows:

	SR'000
Beginning balance	-
Additions during the period:	
Advances to supplier	8,000
Ending balance	8,000

6. INVENTORIES

Inventories as at December 31, 2008 consisted of the following:

	SR'000
Handsets and accessories	7,240
Sim cards	42,203
Prepaid recharge cards	10,029
Inventory-in-transit	360
Total	59,832

7. PROPERTY AND EQUIPMENT - NET

Property and equipment, net as at December 31, 2008 are consisted of the following:

	SR'000			
	Beginning balance	Additions	Disposals	As at December 31, 2008
Cost:				
Leasehold improvements	-	69,586	(317)	69,269
Furniture, fixtures and office equipment	-	56,454	(324)	56,130
Vehicles and other transportation equipment	-	4,756	-	4,756
Telecommunications equipment	-	2,102,176	-	2,102,176
IT systems and servers	-	169,697	-	169,697
Capital work in progress	-	95,122	-	95,122
Total	-	2,497,791	(641)	2,497,150
Accumulated depreciation:				
Leasehold improvements	-	3,858	(53)	3,805
Furniture, fixtures and office equipment	-	3,491	(65)	3,426
Vehicles and other transportation equipment	-	422	-	422
Telecommunications equipment	-	65,115	-	65,115
IT systems and servers	-	15,395	-	15,395
Total	-	88,281	(118)	88,163
Property and equipment - net	-			2,408,987

8. INTANGIBLE ASSETS - NET

Intangible assets, net as at December 31, 2008 are consisted of the following:

	SR'000		
	Beginning balance	Additions	Balance as of December 31, 2008
Cost:			
License fee*	-	23,359,180	23,359,180
Computer software licenses	-	62,190	62,190
Total	-	23,421,370	23,421,370
Accumulated amortization:			
License fee	-	(343,005)	(343,005)
Computer software licenses	-	(3,505)	(3,505)
Total	-	(346,510)	(346,510)
Intangible assets - net	-		23,074,860

* Pursuant to the Ministerial Resolutions No. 176 dated 25 Jumada I, 1428H (corresponding to June 11, 2007) and No. 357 dated 28 Dhu Al-Hijjah, 1428H (corresponding to January 7, 2008) and Royal Decree No. 48/M dated 26 Jumada I, 1428H (corresponding to June 12, 2007), the 3rd license to provide mobile telecommunication services within the Kingdom of Saudi Arabia over 25 Hijrah years was granted to the Company for an amount of SR 22.91 billion. The license fee also comprises an amount equal to SR 449.18 million related to financing costs which was capitalized as part of license cost in accordance with the accounting standards applicable in the Kingdom of Saudi Arabia.

9. TRADE AND OTHER CURRENT PAYABLES

Trade and other current payables as at December 31, 2008 consisted of the following:

	SR'000
Trade payables	391,749
Staff payables	1,449
Withholding tax payables	4,188
Other liabilities	16,413
Total	413,799

10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities as at December 31, 2008 consisted of the following:

	SR'000
Interconnect	198,624
Vendor	167,456
Financing charges	108,680
Roaming	51,712
Employees	33,134
Obligations under finance lease (Note 22)	3,793
Other	651
Total	564,050

11. RELATED PARTIES

The related parties of the Company include Zain group and all its related entities (including subsidiaries and associates), shareholders who own material number of voting interest in the Company, members of board of directors and senior management.

Significant transactions with related parties during the period ended December 31, 2008 includes the management fee paid by the Company to Zain group, amounting to SR 23.74 million and payments made on behalf of the Company by MTC Head Office and sister companies before its incorporation.

The balances due to sister companies at period ended December 31, 2008 are as follows:

	SR'000
MTC head office	514,738
MADA	14,873
MTC Bahrain	4,114
Other	464
Total	534,189

12. NOTES PAYABLE

Notes payable as at December 31, 2008 are consisted of the following:

	SR'000
Nokia Siemens Tietoliikenne Oy	1,574,461
Motorola Inc.	273,083
Total	1,847,544

13. ADVANCES FROM SHAREHOLDERS

The founding shareholders provided an amount of SR 2.2 billion as advances to the Company. The lending shareholders have also decided to waive the financing costs associated with these advances.

The following is a breakdown of the advances from shareholders as at December 31, 2008:

	SR'000
Mobile Telecommunications Company K.S.C.	1,109,397
Faden Trading & Contracting Est.	314,890
Saudi Plastic Factory	301,365
Rakisa Holding Company	136,984
Almarai Company	109,587
Ashbal Al-Arab Contracting Est.	109,587
Al Jeraisy Development Company Limited	54,793
Al Sale Al Sharkiyah Company Limited	27,397
Total	2,164,000

14. SYNDICATED MURABAHA FINANCING FROM BANKS

A Syndicated Murabaha facility of SR 9.2 billion (net of financing calculated at 1.25% for the first year plus 3 months Saudi Inter Bank Offering Rate ("SIBOR") for the SR originated debt and London Inter Bank Offering Rate ("LIBOR") for the United States dollar ("US$") originated debt for the first year and 1.5% for the second year) was arranged by the Banque Saudi Fransi ("BSF") ("Murabaha facility") to finance part of the license fee. This facility consists of a SR portion totaling SR 7.1 billion and a US$ portion totaling US$ 547.5 million (SR 2.1 billion). The amount equal to SR 9.16 billion was drawn down during the first quarter of the period ended December 31, 2008.

The financing charges are payable in eight quarterly installments over two years. The principal amount is payable in one bullet repayment on July 29, 2009. The Murabaha facility is collateralized by securities given by some of the founding shareholders.

Financial covenants imposed by the lending banks are:

- Negative Pledge on all revenues and assets;
- Loans & Guarantees restrictions to customers, distributors, dealers, retailers, wholesalers, & employees;
- No further financial indebtedness exceeding SR 50 million, Pari Passu, insurance on all assets; and
- Compliance with various financial milestones across time.

The Company received a notification of non-compliance with some of the above covenants through BSF. The Company obtained a unanimous consent of waiver from the lenders.

Refinancing arrangement:

The Company has appointed financial advisors to secure a refinancing of the above facility and expects that it will obtain the necessary refinancing before the above due date. In accordance with the By-Laws of the Company, the shareholders' approval is required for the management of the Company to enter into the refinancing arrangement.

15. PAID-UP SHARE CAPITAL

The Company's paid up share capital of SR 14 billion, consists of 1.4 billion shares with par value of SR 10 each, owned by the following shareholders:

Shareholders	Number of shares	Share capital SR'000
Mobile Telecommunications Company K.S.C.	350,000,000	3,500,000
Saudi Plastic Factory	96,250,000	962,500
Faden Trading & Contracting Est.	96,250,000	962,500
Rakisa Holding Company	43,750,000	437,500
Almarai Company	35,000,000	350,000
Ashbal Al-Arab Contracting Est.	35,000,000	350,000
Al Jeraisy Development Company Limited	17,500,000	175,000
Architectural Elite Est. for Engineering and Contracting	17,500,000	175,000
Al Sale Al Sharkiyah Company Limited	8,750,000	87,500
Total founding shareholders	700,000,000	7,000,000
Public Pension Agency	70,000,000	700,000
Saudi nationals IPO subscribed	630,000,000	6,300,000
Total	1,400,000,000	14,000,000

16. REVENUE

Revenue for the period ended December 31, 2008 is consisted of the following:

	SR'000
Local calls	151,429
Interconnect	136,155
International calls	116,402
Roaming	44,800
Messaging and other	37,596
Subscription	18,814
Total	505,196

17. COST OF REVENUE

Cost of sales for the period ended December 31, 2008 is consisted of the following:

	SR'000
Interconnect charges	121,913
Leased lines	77,107
International calls cost	73,222
Roaming cost	72,669
Microwave frequency charges	56,051
Sim cards and prepaid recharge cards	49,032
Discount of prepaid recharge card	37,732
Other	1,011
Total	488,737

18. DISTRIBUTION, MARKETING AND OPERATING EXPENSES

Distribution, marketing and operating expenses for the period ended December 31, 2008 are consisted of the following:

	SR'000
Employee's salaries and related benefits	49,421
Outsourcing	215,146
Consulting	6,993
Customer loyalty and retention	105,106
Dealer's commission	67,015
Advertising	317,890
Rentals	117,394
Communication	20,407
Systems support and licenses	2,943
Office supplies and cleaning	15,157
Printing & stationery	6,367
Utilities	13,061
Travel	12,789
Management fees	23,744
Training	3,369
Bad debt expense (Notes 4 and 5)	22,557
Other	22,023
Total	1,021,382

19. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the period ended December 31, 2008, are consisted of the following:

	SR'000
Employee's salaries and related benefits	61,529
Outsourcing	3,264
Consulting	159,142
Gifts	1,153
Rentals	1,141
Office supplies & cleaning	1,020
Travel	6,442
Entertainment	1,078
Hospitality	3,754
Subscriptions	1,091
Legal and professional	1,598
Bank charges	354
Withholding tax expense	16,844
Other	1,672
Total	260,082

20. PRE-OPERATING EXPENSES - NET

Pre-operating expenses, net incurred prior to commencement of operations are consisted of the following:

	SR'000
IPO costs	94,874
Employee's salaries and related benefits	83,094
Bank credit facilities commitment charges and financing charges	70,029
Consulting fees	36,092
Rent	20,833
Advertising	11,769
Depreciation	77
Legal fees	299
Other expenses	104,714
Withholding taxes	107
Pre-operating income	(3,628)
Pre-operating expenses, net	418,260

21. LOSS PER SHARE

Loss per share is calculated by dividing the operating loss and net loss for the period by the outstanding number of shares during the period which was 1.4 billion shares. Loss per share from the Other Income (loss), net was SR (0.11).

22. CAPITAL LEASES

The Company's liabilities under capital leases as at December 31, 2008 are as follows:

	SR'000
Within 12 months	1,413
Within 12-24 months	1,570
Within 24-36 months	810
Total	3,793

The rate of return for capital lease ranges from 7.92% to 8.29% per annum. Rentals are payable in monthly installments. The Company has the option to purchase the related assets at the end of lease term.

23. OPERATING LEASES

The Company leases sites, technical buildings and offices in connection with its operations. The lease commitments relating to such leases as at December 31, 2008 are as follows:

	SR'000
Within 12 months	99,625
Within 2-5 years	305,250
Over 5 years	455,310
Total	860,185

24. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Company entered into arrangements with suppliers for the purchase of telecommunication equipment and with other mobile telecom companies for providing mobile cellular services. The capital commitments as at December 31, 2008, are as follows:

	SR'000
Within 12 months	2,760,007
Within 2-5 years	1,056,084
Over 5 years	22,073
Total	3,838,164

Furthermore, the Company in the normal course of business is subject to and also pursuing lawsuits and other claims. However, these matters are not expected to have a material impact on the financial position or the results of operations of the Company as reflected in these financial statements.

25. SEGMENT INFORMATION

The Company commenced commercial activities on August 26, 2008. During the period the Company's operations were substantially from mobile phone services, as such, segmentation information is not applicable.

26. ZAKAT

In accordance with the Zakat regulations, no Zakat is due prior to the Company completing one Hijra year from the date of its Commercial Registration. Accordingly the Company did not incur nor did it record any Zakat provision. Upon the completion of its initial Hijra year, the Company will be subject to Zakat. As a result, the Company expects to record a Zakat provision during the year ending December 31, 2009.

27. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the management on February 22, 2009.